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UNCLAS ANKARA 007040

SIPDIS

SENSITIVE

STATE FOR EUR/SE, NEA, AND EB/IFD/OMA
TREASURY FOR INTERNATIONAL AFFAIRS - SDONOVAN, MMILLS AND
RADKINS
NSC FOR MCKIBBEN AND BRYZA

E.O. 12958: N/A

TAGS: [EFIN](#) [TU](#) [IZ](#)

SUBJECT: DEBT REDUCTION FOR IRAQ - FOLLOW UP WITH TURKEY

REF: A. SECSTATE 261021

[B](#). ANKARA 6646

[1](#)1. (SBU) Summary: Visiting Treasury DAS Loevinger pressed both the Turkish Treasury Undersecretary and the Central Bank Governor on the Iraq debt issue. The Governor resisted and the Undersecretary asked for more information. Separately, the DCM delivered ref A talking points to Foreign Ministry Deputy Undersecretary for Economic Affairs. The Deputy Undersecretary said the GOT has not yet taken a decision on this issue. End Summary.

Treasury DAS Presses Treasury and Central Bank:

2.(SBU) In his December 13 meetings in Ankara, Treasury DAS Loevinger pressed Turkish officials to provide comparable treatment for Turkish claims on Iraq now that the Paris Club deal is done. Central Bank Governor Serdengecti pushed back, arguing that since Iraq's oil resources gave it the potential to once again surpass Turkey in terms of per capita income it was not right to expect Turkey to forgive its claims. He preferred a long-term rescheduling that would allow the Central Bank (which holds \$1.3 billion of the \$1.6 billion in Turkish claims) eventually to recover its principal. Turkish Treasury Under Secretary Canakci, on the other hand, was more conciliatory. Suggesting that Turkey was prepared to continue examining forgiveness, he asked for detailed information on the financial terms of the Paris Club agreement as well as specifics about claims of other non-Paris Club creditors.

DCM Demarches MFA:

[1](#)3. (SBU) Deputy Chief of Mission also delivered ref A talking points and fact sheet to MFA Deputy Undersecretary for Economic Affairs Ender Arat. Stressing Turkey's interest in Iraq's economic revival and the link to a debt restructuring, the DCM encouraged Turkey to look at the big picture. Arat said the GOT had not yet reached a decision, and claimed that the Treasury and Foreign Trade Undersecretariats would have a bigger role in the decision than the Foreign Ministry. He said for now, Turkey is keeping silent on the issue, and that Turkey would take into account the realities in Iraq. He noted that Turkey is not pressing for debt servicing to be resumed. The DCM also raised the issue in separate meetings with MFA Director General for Middle East Affairs, Oguz Celikkol.

Baghdad Minimize Considered.
EDELMAN